

Message Text

CONFIDENTIAL

PAGE 01 CARACA 11997 01 OF 02 101026Z
ACTION ARA-14

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 AID-05 IO-13 HA-05 COME-00
EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
OMB-01 STR-05 FEA-01 /134 W
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R 091733Z DEC 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 312
INFO AMEMBASSY BOGOTA
AMEMBASSY CAIRO
AMEMBASSY MOSCOW
USCINCSO QUARRY HEIGHTS
USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 11997

E.O. 11652: GDS
TAGS: PINT, ELAB, EINV, ECIN, PDIP, VE
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 11721 (NOTAL)

SUMMARY: ADMINISTRATIVE CORRUPTION - ITS EXISTENCE AND
VALUE AS A CAMPAIGN ISSUE IS DEBATED BY LEADING POLITICAL
FIGURES. LEFTIST TRADE UNIONISTS DENOUE STEEL FIRM
COLLECTIVE CONTRACT. FOREIGN INVESTMENT MODIFICATIONS
DELAYED. ANDEAN PACT COMMISSION MEETS IN CARACAS.
EGYPTIAN EMBASSY BOMBED. SOVIET DELEGATION CONCLUDES
VISIT. END SUMMARY.

1. ADMINISTRATIVE CORRUPTION - ITS EXISTENCE AND VALUE
AS A CAMPAIGN ISSUE IS DEBATED BY LEADING POLITICAL FIGURES.
ACCION DEMOCRATICA (AD) PRESIDENTIAL CANDIDATE LUIS PINERUA
ORDAZ TRIGGERED RENEWED DEBATE OVER ADMINISTRATIVE
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PAGE 02 CARACA 11997 01 OF 02 101026Z

CORRUPTION AS CAMPAIGN ISSUE IN A SPEECH DELIVERED
DECEMBER 2. HE CHARGED THAT HIS OPPONENT, LUIS HERRERA
CAMPINS OF THE COPEI PARTY, HAS CLOSE ADVISORS WHO HAVE
BEEN THE SUBJECT OF A GOV INVESTIGATION FOR ADMINISTRATIVE
CORRUPTION. RUDOLFO JOSE CARDENAS, FORMER DIRECTOR OF
THE CENTRAL OFFICE OF INFORMATION DURING THE COPEI
GOVERNMENT AND A HIGH RANKING MEMBER OF THE COPEI CAMPAIGN

STAFF, PUBLICLY ADMITTED THAT HE WAS THE PERSON REFERRED TO IN THE PINERUA SPEECH BUT THAT THE PEREZ GOVERNMENT'S FOUR YEAR INVESTIGATION OF HIM FOR CORRUPTION IS UNFOUNDED AND MERELY A POLITICAL VENDETTA. CARDENAS SUGGESTED THAT AN EXAMINATION OF PINERUA'S PERSONAL FINANCES MIGHT PROVE TO BE MORE FRUITFUL IN UNCOVERING ADMINISTRATIVE CORRUPTION. HERRERA DISMISSED THE PINERUA SPEECH AS A CAMPAIGN TACTIC TO DETOUR THE PUBLIC FROM THE REAL ISSUES THAT CONFRONT THE COUNTRY.

THE FOUNDING FATHERS OF BOTH POLITICAL PARTIES ATTEMPTED TO MUTE THE PERSONAL INSULTS THE ISSUE HAS SPARKED. COPEYANO CALDERA CLAIMED THAT CORRUPTION WAS AN ETHICAL QUESTION AND DID NOT BELONG IN POLITICAL DEBATE AND AD'S BETANCOURT ADMONISHED THAT VICIOUS PERSONAL ATTACKS IN A POLITICAL CAMPAIGN MIGHT ENDANGER THE DEMOCRATIC PROCESS. PRESIDENT PEREZ COMMENTED THAT CORRUPTION WAS A VALID CAMPAIGN ISSUE IF PROPERLY DISCUSSED.

COMMENT: NO ONE DENIES THE EXISTENCE OF CORRUPTION IN GOVERNMENT. THE WEEK'S LATEST SCANDAL WAS THE ARREST OF A FORMER VICE MINISTER OF THE PLANNING MINISTRY (CORDIPLAN) AND THREE OF HIS COLLEAGUES FOR THE ALLEGED EMBEZZLEMENT OF BS. 1.6 MILLION FROM CORDIPLAN'S EMPLOYEE TRUST FUND. DESPITE THIS AND THE POLITICIANS' ATTEMPTS AT AN ANTI-CONFIDENTIAL

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PAGE 03 CARACA 11997 01 OF 02 101026Z

CORRUPTION CRUSADE, THE VENEZUELAN PUBLIC REMAINS CYNICAL, CLUCKS ITS TONGUE, BUT SEEMS TO ACCEPT CORRUPTION AS A FACT OF POLITICAL LIFE.

2. LEFTIST TRADE UNIONISTS DENOUE STEEL FIRM COLLECTIVE CONTRACT. A NEW COLLECTIVE CONTRACT WAS SIGNED DECEMBER 7 BETWEEN THE STATE-OWNED SIDOR STEEL FIRM AND ITS UNION, SUTISS. THE EXECUTIVE COMMITTEE OF SUTISS WAS DIVIDED ON THE DECISION TO SIGN WITH ALL LEFTIST MEMBERS VOTING AGAINST THE SIGNATURE EXCEPT FOR JOSE BARRIOS OF THE MOVEMENT TOWARD SOCIALISM (MAS) WHO SUBSEQUENTLY WAS EXPELLED FROM THAT PARTY. LEFTIST PARTIES HAVE DENOUNCED THE NEW CONTRACT AS FAILING TO MEET STANDARDS SET BY OTHER RECENT COLLECTIVE CONTRACTS IN VENEZUELA. THE CONTRACT WAS ALSO CRITICIZED FOR ITS OMISSION OF A COST-OF-LIVING PROVISION THOUGHT NECESEARY BY MANY OBSERVERS IN INFLATION-RIDDEN CIUDAD GUAYANA (23 PERCENT IN 1976-77). THE LEFTISTS PUSHED FOR A WORKER VOTE IN THE CONTRACT, BUT WERE REFUSED BY THE MODERATE MAJORITY IN THE UNION'S EXECUTIVE COMMITTEE. THE LEFTIST REVOLUTIONARY MOVEMENT (MIR) PARTY CLAIMS A ETRAW VOTE IT TOOK SHOWED A CLEAR MAJORITY OF WORKER SENTIMENT AGAINST THE CONTRACT.

THE GIANT SIDOR STEEL COMPANY WHICH EMPLOYS SOME 12,000 WORKERS WILL HAVE 20,000 EMPLOYEES BY 1979. THE CONTRACT THUS REPRESENTS ONE OF THE MOST IMPORTANT IN VENEZUELA. SIDOR HAS BEEN LOSING MONEY AND FOUGHT HARD TO KEEP CONTRACT TERMS TO A MINIMUM. AN OFFICER OF THE CONFEDERACION DE TRABAJADORES DE VENEZUELA (CTV), THE LABOR CENTRAL WHICH PLAYED A ROLE IN THE NEGOTIATIONS, AND THE PRESIDENT OF THE METAL WORKERS FEDERATION INDICATED TO THE LABOR ATTACHE THAT THE CONTRACT WAS THE BEST THAT COULD BE OBTAINED IN VIEW OF THE COMPANY'S RESOURCES. THEY LABELED LEFTIST OPPOSITION AS "POLITICAL."

COMMENT: CIUDAD GUAYANA, SITE OF THE STEEL MILL, IS A
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PAGE 04 CARACA 11997 01 OF 02 101026Z

DIFFICULT PLACE TO LIVE IN AT BEST WITH HOUSING SHORTAGES AND OTHER BOOM-TOWN DEFICIENCIES. THE COST-OF-LIVING PROBLEM AGGRAVATES THE SITUATION. LEFTIST CRITICS OF THE CONTRACT'S SHORTCOMINGS CLEARLY WILL USE THE ISSUE TO ADVANCE THEIR ALREADY SUBSTANTIAL STRENGTH IN SUTISS AND CIUDAD GUAYANA GENERALLY. THE MODERATE PRAGMATISTS IN THE UNION HAVE WON THE CONTRACT, BUT STILL MAY FACE CONSIDERABLE

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PAGE 01 CARACA 11997 02 OF 02 091919Z
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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 11997

DISSATISFACTION IF REALY WAGES AND BENEFITS DECLINE AS THE LEFTISTS CHARGE THEY WILL.

3. FOREIGN INVESTMENT MODIFICATION DELAYED. THE PROPOSED CHANGES IN THE FOREIGN INVESTMENT LAW (DECREE 63) APPROVED ON NOVEMBER 8 BY THE CABINET AND EXPECTED TO APPEAR AS DECREE 2442, HAVE BEEN DELAYED ONCE AGAIN. ACCORDING TO LOCAL NEWS REPORTS THE DELAY HAS BEEN CAUSED BY A LAST MINUTE HIGH-LEVEL REVIEW OF WHAT WAS TO BE AN EASING OF THE ANDEAN PACT REGULATIONS ON FOREIGN INVESTMENT.

4. ADEAN PACT COMMISSION MEETS IN CARACAS. THE ANDEAN PACT COMMISSION WILL MEET DECEMBER 13 IN CARACAS. THE PRESIDENT OF THE VENEZUELAN INSTITUTE OF FOREIGN COMMERCE (ICE) STATES THAT THE MOST IMPORTANT ITEM ON THE AGENDA WILL BE THE PROCESS OF CODIFICATION OF DECISION 24 WHICH DEALS WITH THE COMMON TREATMENT OF FOREIGN CAPITAL. CONFIDENTIAL

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PAGE 02 CARACA 11997 02 OF 02 091919Z

COMMENT: IT MAY BE COINCIDENTAL, BUT THIS MEETING MAY HELP EXPLAIN THE POSTPONEMENT OF VENEZUELA'S CODIFICATION OF ANCON DECISION 103 (PROPOSED DECREE 2442).

DISSATISFACTION IF REALY WAGES AND BENEFITS DECLINE AS THE
5. EGYPTIAN EMBASSY BOMBED. A SMALL BLACK POWDER BOMB EXPLODED IN THE DOORWAY OF THE EGYPTIAN EMBASSY DECEMBER 4. DAMAGE TO THE BUILDING WAS SLIGHT AND THERE WERE NO INJURIES SINCE THE BOMB WENT OFF ABOUT 4:00 A.M. LEAFLETS WERE SCATTERED BY THE XPLOSION NAMING PRESIDENT ANWAR SADAT AS "TRAITOR TO THE ARAB CAUSE." THE LEAFLETS WERE SIGNED BY THE "VENEZUELAN COMMITTEE FOR MILITANT SOLIDARITY." THE EGYPTIAN EMBASSY BELEIVES THE BOMB WAS ONLY INTEDDED TO FRIGHTEEN AND THAT THE LIBYANS ARE PROBABLY RESPONSIBLE. THEY CITE THE FACT THAT LIBYAN EMBASSY PERSONNEL IN CARACAS PUBLICLY BURNED AN ARAB FEDERATION FLAG WHEN SADAT VISITED ISRAEL.

COMMENT: OUR READING OF THE PAMPHLETS IS THAT IT SEEMS TO HAVE BEEN DRAFTED BY LEFTISTS SYMPATHETIC TO THE ALESTINIAN CAUSE. END COMMENT.

6. SOVEIT DELEGATION CONCLUDES VISIT. A SOVIET DELGATION, HADED BY KURBAN A. KHALIVOV, DEPTY CHAIRMAN OF THE SUPREME SOVIET PRESIDUM, ENDED A SIX-DAY VISIT TO VENEZUELA DECEMBER 5. THE DELEGATION HAS EARLIER VISITED ZULIA, BOLIVAR AND CARABOBO STATES, MET WITH PRESIDENT PEREZ,

NATIONAL CONGRESS LEADERS AND WERE GUESTS AT A LUNCHEON HOSTED BY FONMIN SIMON ALBERTO CONSALVI. THE GROUP ALSO ATTENDED THE INAUGURATION OF THE SOVIET INDUSTRIAL EXHIBITION WHICH OPENED DECEMBER 1 IN CARACAS.

A SOMEWHAT THIN JOINT DECLARATION WAS ISSUED UPON COMPLETION OF THE VISIT PRAISING THE "NOTABLE PROGRESS"
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PAGE 03 CARACA 11997 02 OF 02 091919Z

WHICH HAS MARKED VENEZUELAN-SOVIET RELATIONS IN RECENT YEARS. IN THE COMMUNIQUE, THE SOVIET DELEGATION ALSO EXPRESSED ITS SUPPORT FOR GOV ACTIONS IN NATIONALIZING NATURAL RESOURCES INDUSTRIES (OIL AND IRON) AND THE INTENTION TO HELP REORGANIZE INTERNATIONAL ECONOMIC RELATIONS ON THE BASIS OF EQUALITY OF RIGHTS AND ELIMINATION OF DISCRIMINATORY PRACTICES IN INTERNATIONAL TRADE.

7. OTHER REPORTING THIS WEEK INCLUDED VISIT OF FOREIGN MINISTER WILLS TO VENEZUEAL (CARACAS 11858), TRINIDAD-VENEZUELAN FISHING AGREEMENT (CARACAS 11834), MV LAMAR I (CARACAS 11782 AND 11854), BUENOS AIRES STORY ON PARALLEL ORGANIZATION TO ILO PROMPTS REACTION FROM VENEZUELAN LABOR CENTRAL (CARACAS 11747), GOV PLANS TO BORROW ADDITION \$1.4 BILLION TO FIANCE MAJOR PROJECT (CARACAS 11779), AND MAJOR PROJECTS - INTERALUMINA - PRINCIPAL EQUIPMENT (CARACAS 11788) AND CORPOZULIA - PRE-SELECTION OF PARTNERS (CARACAS 11783).
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Message Attributes

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Disposition Approved on Date:
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